



## Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact [support@jstor.org](mailto:support@jstor.org).

# THE JOURNAL OF POLITICAL ECONOMY

---

*JULY—1908*

---

## SHALL THE SCOPE OF GOVERNMENTAL FUNCTIONS BE ENLARGED SO AS TO INCLUDE THE EXPRESS BUSINESS?

There is a pointed and much-quoted remark of one of our postmasters-general to the effect that there are only four important objections to the establishment by the federal government of a parcels-post, similar to that of England or Germany. These, he alleged, consist of the American Express Co., the United States Express Co., the Wells Fargo Express Co., and the Adams Express Co. *In fact it has been quite generally asserted by nearly all advocates of a parcels-post that the opposition on the part of private interests represented by the express companies is practically the only important obstacle to immediate enactment of enabling legislation.*

If this were true, it might be remarked, that this open confession of the impotency of the federal government to establish in the face of the opposition of certain private interests an important institution, deemed by many to be essential to the convenience and prosperity of the great community of the American people, would certainly seem to be inconsistent with the theory of extending the functions and scope of governmental activity into the realms of private enterprise.

It may well be doubted, however, whether the express companies constitute the only valid ground of objection to the parcels-post. Another strong source of opposition is found among the

local retailers all over the United States, and among the jobbers who supply the same with their stocks of goods. The exponents of such interests fear that the establishment of a parcels-post would so reduce the cost of transportation on small packages, that local retailers would find themselves unable to compete with mail-order houses in distribution of goods to the consumer.

There seems to be a deal of truth in this contention. In the nature of things the local dealer cannot compete with the mail-order houses on equal terms. He cannot afford to issue the expensive catalogues, or to keep so large an assortment of goods. Moreover, the immense volume of business of the catalogue concerns enables them to quote cheaper prices on many commodities. Frequently they are able to secure, on private contracts with manufacturers, large stocks of goods at prices even lower than the jobber is required to pay. Furthermore, their expense of doing business is proportionately much lower, as practically their entire expense of distribution consists of the outlay in issuing the catalogues and in packing and shipping the goods when ordered. No experienced force of salesmen is required to display the goods and argue their merits. Moreover, it is often the case that the glowing terms in which goods are described in these catalogues cause the credulous to believe them superior to what they really are. Distance always seems to lend enchantment, and abundant opportunities are offered for deception as to the quality of the goods.

The local dealer, on the other hand, in order to fill orders promptly, must keep a stock of goods which, in proportion to the amount of business he does, is vastly greater than that of the catalogue houses. In order to purchase his goods to advantage, he must lay in a stock in the fall sufficient for six months or a year, while few, if any, of the larger mail-order houses would have at any time sufficient goods in stock to enable them to fill orders for a fortnight. Naturally, therefore, where the turn-over of capital is slower, the percentage of profit upon individual transactions must be higher, and competition upon an equal basis becomes impossible.

But quite apart from a theoretical exposition of causes, the

facts show that the local dealers are rapidly losing trade to the catalogue houses, and in many districts the local retail business has become so unprofitable that the number of retail stores is decreasing, and their volume of business less instead of greater as might be expected with the normal growth of population.

Not only do the mail-order houses excel in the volume of business, and in the greater assortment of goods, but they are able to effect the most efficient and economical management by the employment of the most able managers and department men, which is rarely or never the case in the ordinary country store, owing to the natural scarcity of men of that grade. In fact the business management of the ordinary country store is lamentably weak. From the economic standpoint, therefore, one is compelled to admit that, in accordance with the laws of competition and of the survival of the fittest, the catalogue houses have already demonstrated their superiority.

Admitting, therefore, that the economic position of the mail-order houses is stronger, are there not important social arguments against permitting the absorption of local business by the rapidly expanding catalogue concerns at our large trade centers?

In the first place, it should be noted that the rapid consolidation of our manufacturing industries makes it more difficult every day to conduct such enterprises in small communities in competition with the large plants in the large communities. The result has been that for a long time the proportion of the manufacturing business done in small communities has been growing smaller. With the gradual and necessary elimination of the manufacturing business in smaller communities, the mercantile business is about all that is left as an economic basis for the existence of such communities.

These forces tend to a rapid concentration of business in the large trade centers, and the resulting congestion of humanity at such points. In one generation the proportion of the population of the United States living in our large cities has more than doubled, and just at present is increasing more rapidly than ever before.

It may well be doubted whether this tendency will ultimately

be beneficial to the race. Vice, crime, and disease are rampant in the slums of our great cities. Human life, under such conditions, becomes cramped. The unfolding process is impossible. The exigencies of the situation cause sporadic and abnormal development. The moral and physical culture of the individual is almost wholly neglected, and the intellectual development resulting is nearly always one sided, and too frequently resolves itself into the attainment of solely those qualities which make for greater acquisitive power. The social superiority resulting under the questionable standards prevailing in such centers may be obtained only with the sacrifice of much that is higher and nobler in human nature.

A large proportion of the population is compelled to lead a sedentary life. It may well be asked whether the conditions prevailing in our large mail-order houses and department stores make for the good of humanity. From 8:00 A. M. till 6:00 P. M. the many children and young girls employed are kept at close, confining work, frequently straining every nerve far beyond the limit of safety and human endurance, in order to make themselves independent, and to meet the conditions which city life imposes upon them. During the fall rush these girls are often asked to remain at work till 9:00 or 10:00 P. M. They realize that it is necessary for them to acquiesce in such unreasonable and brutal demands or lose their positions during the dull season immediately following the holidays.

An eminent physician not long ago remarked that it was his personal opinion, based upon long practice, that less than 10 per cent. of the girls in our large cities are as strong and healthy as their mothers were at a corresponding age. This he plausibly explained by the fact that nearly all of the latter had come from the country where they lived close to nature, with plenty of fresh air and sunshine, and with plenty of hard work too, but of the kind which upbuilds and strengthens the health rather than destroys it.

Furthermore, the wages paid in such institutions are seldom high enough to enable the individual to live at the prevailing social standards, and only too frequently the female employees

are compelled to piece out their salaries by questionable means. It is inevitable that the future generation of the city-bred population should be as much beneath the present, as the present is beneath the last, unless radical reforms take place. Such progressive degeneration must be regarded as a tremendous social calamity.

Without trespassing too far upon the field of the sociologist, it may safely be assumed that an increased concentration of industry and population is far from desirable. Why then should the government take active steps to promote it? Would it not be better to allow the mail-order houses and local retailers to fight out their own battle for trade supremacy upon equal terms, on the basis of the survival of the fittest? The retailer would then at least be able to cling tenaciously to the few natural advantages which he does possess, and would necessarily retain a considerable portion of the business. In establishing the parcels-post the government would be taking action to crush the local dealer, and would thus take away the last economic basis for the rural community, and accelerate the concentration of industry in great cities.

By the elimination of the smaller towns the easiest and most natural market is taken away from the farmer. His small produce would then have to be shipped to the large cities, where he would almost certainly become the prey of commission-house agents, whose methods of operation are well known. Legitimate competition which means the lowest prices in view of the quality of the goods offered would be eliminated. The only competition would then be that of advertising. The one capable of producing the most attractive advertisements would win in the end. The American public is so great and so credulous that the house which has once fooled the public can again under another name and perhaps with different customers work off the same class of worthless or inferior goods.

Furthermore, the nearby location of a small country town gives to the farmer and his family immense social, educational, and cultural advantages, which would be almost wholly inaccessible if it were not for the existence of such communities. Take

away the business and economic support of such a community, and immediately it becomes stagnant. Its ambitious and progressive citizens immediately migrate to other fields, and the town is left to decay.

If a parcels-post law is passed, similar to the majority of those proposed during the previous session of Congress, this result will be attained. The retailer now finds almost his sole protection from the mail-order houses in high express charges, which are practically prohibitive on small commercial shipments of certain classes of goods. It must be borne in mind that high express charges are not here advocated. The reduction of the cost of transportation is one of the most important marks of economic progress. Nothing could be less desired than that by prohibitive transportation charges, our country should be split up into innumerable independent communities. The point which is here emphasized is that if the government is to take active steps to assume a considerable portion of the transportation business of the country and to transact the same at a tremendous loss, such as would inevitably be the case under many of the plans proposed, it should not do it in such a way that special advantage should accrue to a certain class of merchants, with a corresponding disadvantage to another class.

If the government proposes to become the losing partner of the mail-order houses and manufacturers selling direct to the consumer, why should it not also offer equal assistance to the jobbers in carrying their heavier consignments at less than cost as well? The only logical outcome of such a step, if taken, would be the absorption by the government of the entire transportation business of the country.

It must be borne in mind that the proposed parcels-post would be used almost exclusively for commercial purposes. There is some ground of propriety in carrying, as the department does at present, certain classes of mail matter such as periodicals, which are educational in their character, for one cent per pound, which represents only  $12\frac{1}{2}$  per cent. of the cost to the government, but there is not the slightest legitimate reason why the government should undertake to distribute the goods of a certain class of

commercial houses for less than the actual cost of doing the business.

There could be no objection to a parcels-post law which should provide that postal rates should be such that this class of business should pay for itself. That would mean that the government would undertake to compete with the express companies upon equal terms. There could be no doubt of the outcome of such an arrangement. Experience has proved the superiority of private management in innumerable cases. The government would be absolutely unable to absorb any appreciable amount of the business upon such a basis. In certain cases where express charges are now exorbitant some reduction might be effected; but it is entirely unnecessary that the government should take such an undignified step to bring about a reduction of exorbitant express rates. The same end may be accomplished by the Interstate Commerce Commission under the new rate law, directly and without friction. Express companies as well as railroads are now made answerable to that law, one of the cardinal principles of which is that all rates and charges shall be reasonable.

There are some grounds to fear, however, that no parcels-post could be established which would be self-supporting. The innate desire of the people to get something, as it were, for nothing, would soon express itself in a demand for a reduction of rates. No administration could be popular and at the same time effectively resist such a demand. It has been proved over and over again in history, that wherever a democratic body politic has undertaken to conduct a commercial enterprise of a public-service character, the demand for rates far below the cost of doing the business has seldom or never been successfully resisted. If this has proved true of local governments, how much more is it likely to be true of the federal government which, nearly everybody seems to think, already has a revenue so great that the principal problem with regard to it is the determination of the best method of turning it back into the channels of trade. Even at present with a nominal postal deficit of from \$11,000,000 to \$14,000,000, but with an actual deficit as will be subsequently shown of much more than that amount, it seems that the demand



for penny postage and for the increase of salaries of certain classes of postmasters and of almost the entire clerical force is too strong to be resisted effectively.

The real issue is, therefore, Can the government expect successfully to compete with the express companies, on a business basis? If it can be shown that the government would be utterly unable to compete it follows that the government should not undertake the service.

The principal argument advanced by the advocates of the parcels-post is that the plan has worked out fairly successfully in Europe, and that the same success ought to attend its operation in this country. Let us then examine this contention and ascertain the extent of its validity.

In the first place it must be borne in mind that America is not England or Germany. Conditions are altogether different in many respects. In America we have a more democratic government. It is readily admitted that under a paternalistic government such as that of France or Germany certain industries may be taken over by the state and operated successfully. The German official is almost entirely free from any political pressure whatever. His term of office depends almost solely upon his efficiency. In this country, on the other hand, there is scarcely a federal office of importance, and but a small number of responsible positions of any kind in federal employment, the tenure of which is upon a merit basis. Time and again it has been demonstrated that democratic governments cannot maintain proper discipline over their employees. Even though comparatively efficient civil-service systems may be established, it is utterly impossible to reduce the service to a purely business basis, such for instance as will be found in any large and successful private enterprise. Moreover, as already pointed out, the agents of a democratic government are absolutely unable to resist strong organized political pressure, for a revision of the service, or for a modification of rates in favor of any strong group of interests capable of polling a large vote. The great political parties of this country are so evenly divided that no administration or department would dare to oppose, or in any way to alienate the

votes of any appreciable portion of the population, as long as the only serious objection to the proposition would be the lavish waste of government funds, about which everyone seems to care so little. In other words, a democratic government could not resist the demand for rates which would be ruinous to any private enterprise if it were conducted on as extravagant a basis.

Secondly, the physical conditions of the United States and of most European countries are altogether different. The areas of Germany and of the United Kingdom are 208,830 and 121,371 square miles respectively, while the area of the United States (excluding colonies) is 3,625,122 square miles, or more than seven times that of Germany, and thirty times that of the United Kingdom.

The average population per square mile in the United States is 23.22, while that of Germany is 289.60, and that of the United Kingdom is 356.11, showing the density of population of Germany to be more than twelve times greater, and that of the United Kingdom, fifteen times greater than that of the United States.

Although no reliable statistics have ever been published as to the distance traveled by the average mail parcel,<sup>1</sup> it is safe to assume that the distance in America is at least as great as the startling differences in area and population would seem to show. The people of the United States, though distributed over a much greater area, are as a rule much more closely bound together, than is the case with most European countries. This is due to the fact that a very large proportion of the population of the newer sections of our country have themselves emigrated from the older and more settled portions. In Europe, on the other hand, the population of the local communities is *quasi indigenou*s, and consists almost entirely of those whose forefathers have lived in the same locality from time immemorial. The result is that communities exhibiting a growth of this character are more isolated than communities made up of emigrants from other sections. Naturally there would be less social and commercial intercourse under such circumstances with the more distant sections

<sup>1</sup> See estimates in *Journal of Political Economy*, Vol. VII, pp. 145 ff.

of the country. It is evident that in the distribution of small parcels the expense of distribution increases almost directly with the area to be covered, and with the decreasing density of the population. The average rural carrier in Germany easily serves from eight to ten times the number of patrons that may be served by a carrier in the United States.

What has been said of the country is equally true of the cities. Our cities are spread over an area many times larger than those of equal population in Europe, and the expenses of distribution and collection of mail matter are correspondingly increased.

It is idle, therefore, to assert that there is any basis for assuming that what has been done in Europe can also be done in the United States.

But notwithstanding the more favorable conditions which prevail in Europe for the successful operation of a parcels-post system, its success even there is not altogether unqualified. In Germany the mail service is hampered by a cumbersome zone system, and the classification and the rules governing the receipt and delivery of parcels are often intricate and vexatious.

The German postal rates for parcels are as follows:

Weight	Distance	Rates
Under 5 kil. (11 lbs).	10 German miles (46 Eng.)	25 pfennigs (6 cts.)
" 5 " (11 lbs).	Unlimited	50 " (12 cts.)
Each additional kil. (2½ lbs).	10 German miles	5 " (1½ cts.)
	20 " "	10 "
	50 " "	20 "
	100 " "	30 "
	150 " "	40 "
	Over 150+ " "	50 "

The weight limit is 50 kilograms. The maximum charge would then be 12 cents for all packages under 11 pounds, and about \$5.50 for packages weighing 110 pounds for distances greater than 150 miles.

To the rate upon all packages containing breakables, hats, or animals 50 per cent. is added. Moreover, packages are carried upon the fast limited trains only upon the payment of extra postage amounting to 24 cents per parcel. The charge for special

delivery is 10 cents to points within incorporated towns and 22 cents to all points on rural routes. A charge is also made for the regular delivery of all packages, amounting to  $2\frac{1}{2}$  cents for all packages under 11 pounds, and  $3\frac{1}{4}$  cents for heavier packages delivered to parties residing within the limits of an incorporated town, while  $2\frac{1}{2}$  cents is charged for packages under 5 pounds, and 5 cents for packages over that weight to be delivered in the country. Practically all kinds of packages are accepted, though live animals must be so caged as to eliminate danger of injury to the post-office employees. Damages up to a limited amount may be obtained for all parcels lost or destroyed, and extra insurance may be obtained upon the payment of a small premium. Packages may be sent C. O. D., which is not the case in either England or America.

Thus it will be seen that the German system which has been so highly praised leaves something to be desired in point of simplicity. Nor are the average rates on heavier parcels as low as might appear at first glance. It must be remembered also that the German railways are owned by the government, and are required to carry all postal matter weighing less than 11 pounds without charge to the postal department.

The British system of parcels-post is about half-way between that of Germany and of the United States. The rate for 1 pound is 3*d.*, and 1 penny is charged for each additional pound up to 9 pounds, with a maximum charge of 1*s.* for packages weighing 11 pounds. Packages for foreign delivery are accepted at the following rates:

3 lbs. ....	12 <i>d.</i>
7 lbs. ....	48 <i>d.</i>
11 lbs. ....	72 <i>d.</i>

Parcels may be six feet in combined length and breadth, but not more than three feet six inches in any one dimension. No living animals are accepted, with the exception of bees.

The British parcels-post system was established in 1883 by the noted blind economist, Mr. Henry Fawcett, then serving in the capacity of postmaster-general. It has been demonstrated anything but an unmitigated success. The British government like

all other governments has proved itself a bad bargainer, and a worse business manager. Its postal department has long been bound by a contract with the railways, whereby not only all railway telegrams are carried free at the government's expense, but the railways receive 55 per cent. of the gross revenue on parcels. A recent parliamentary investigating committee discovered that £140,000 too much was being paid by the government for the ocean transportation of its mails, and that £40,000 more than the regular market price for a similar quality of goods was being paid for postal stationery.

During the first eight months of the operation of the parcels-post in Great Britain, the direct loss attributed to this new branch of the postal service was £35,000. In order to conceal this enormous deficit Postmaster-General Fawcett thought it best to amalgamate the parcels-post revenue with that of the general revenue of the department, so that, using his own words, "the expense on parcels account may be unavoidably mixed." In 1889 the chancellor of the exchequer made the following statement in Parliament: "The business of the Post-Office is already so expensive that it has appeared to me undesirable to impose upon it new responsibilities."

It would seem, therefore, that if such doubtful success attended the development of the parcels-post system in England where conditions are so much more suited for its development, there should be some hesitation before attempting to develop a similar system in the United States.

Now let us turn to our own system, and see whether conditions are such as would warrant the increase of the duties and responsibilities of our postal department. The United States post-office is frequently cited as a conspicuous example of the success of an important commercial enterprise undertaken by the government.

In the first place it should be pointed out that the postal system of the country, though in the very nature of things of vast proportions, is of itself exceedingly simple and easy of operation when compared to any other great industry, as the following considerations will indicate:

First, and most important, it must be remembered that the

post-office has a complete monopoly of carrying all first-class mailable matter. The problems met with in competition which, in any other kind of business, are of primal importance, are thus entirely eliminated.

Second, the United States post-office is not established upon a business basis. Enormous deficits are regarded as inevitable in the ordinary course of business, and excite no alarm whatever, as appropriations are always forthcoming to meet them.

Third, in the postal business there are no problems of construction or maintenance of equipment such as are met with in the ordinary business enterprise. The department owns practically nothing save a few mail bags, and office fixtures. Even the public buildings and magnificent post-offices used are property of the Treasury Department; the capital invested in them together with the expense of lighting, heating, and janitor service being charged directly to the federal treasury, and in no way figuring in the postal deficit.

Fourth, the post-office pays no interest upon its capital investment, such as would be necessary in any private enterprise of like character.

Fifth, the principal portion of the business of the post-office—that of transporting mail from one city to another—is done by contract with private companies.

Sixth, the United States Postal Department is entirely exempt from all forms of taxation, as are all other forms of federal property.

Seventh, postal rates are uniform throughout the country. There is no attempt to apportion the charges in proportion to the cost of doing the business, or to follow the principle of charging what the traffic will bear. The principal and most intricate problem with which all private enterprises have to deal is therefore entirely eliminated.

Eighth, the Postal Department is not charged with any of the expense of the principal office at Washington. This includes the salaries of the postmaster-general, together with several assistants and more than 1,000 clerks. All this expense is charged directly to the Treasury.

And yet notwithstanding the simplicity and uniformity of all postal operations, the present management of our postal department leaves much to be desired. It is without doubt the largest business in the world. There are 320,000 employees already in the service of the department. Its annual transactions aggregate more than a billion and a quarter of dollars. It must, therefore, be conceded that the management of so great a business is presented with many difficult and intricate problems.

With any other business of large proportions it is recognized that the individual in charge of the same should be a man of long experience and minute knowledge of the details of that particular line of industry. We would not expect, for instance, to find a man at the head of a railroad or of a great manufacturing industry who had not had at least fifteen or twenty years' experience. And yet during the past thirteen years we have had eight postmasters-general. How, I ask, is it possible to expect that efficient management of this great industry can be obtained from men with practically no training for that kind of work, other than that found in the school of politics? Such a policy would bankrupt any other capitalistic enterprise within a very short time. The German and the British postal officials are men with long training and experience in that department, and their tenure of office is much more secure, depending more directly upon their own efficiency.

Mr. H. A. Castle, former auditor of the Postal Department of the United States, has shown in its true light the many defects of our present postal system, and how far it comes from being that which should be expected of a private enterprise of like character. Speaking upon this point he says:

The protracted postal investigations of 1893 revealed to thinking men the disquieting fact that our national mail system, which is now the greatest business enterprise in the world, is entirely destitute of logical, coherent, business-like organization.

Among many other striking defects, he points out that there is utter lack of business methods in the accounting department. Of the one billion and a quarter dollars of transactions represented in the accounts of the 70,000 postmasters all over the

United States, less than 10 per cent. have the double audit required by law. Fraud, speculation, and embezzlement of third- and fourth-class postmasters have become common occurrences and are exceedingly difficult to detect. As the salary of these postal officials depends upon the number of cancellations at their respective offices, all sorts of fraudulent schemes are continually being practiced to swell the number of cancellations beyond the legitimate amount.

Furthermore, there is no method of auditing the number of cancellations, and the department must accept the word of the postmaster, which may or may not be true. Several cases have been unearthed where an agent of a manufacturer has secured a nominal position of postmaster at some out-of-the-way point, and by drawing a salary based upon the number of cancellations has practically been able to secure a rebate amounting to about 75 per cent. on all matter mailed, the mailable matter being shipped to said point by freight. Absolutely no account is kept or record made of the number of stamps issued by the Bureau of Printing and Engraving, and no one has any means of knowing how many disappear before official record of the stamps issued is made by the Postal Department.

The weighing of mail matter handled by the railroads takes place only at stated intervals of four years. As the payment of the railroads depends upon the average tonnage during the period in which the weighing goes on, it is charged that all sorts of fraudulent schemes are continually being practiced by the railroads to increase the weight of the mail during this period.

There is no auditing of railroad accounts. Forty million dollars is annually paid out by the department merely on the statement of the railroads that the service has been performed. There is no effort made to ascertain the truth or falsity of the allegations.

There is no method of accounting for the actual amount of cash received by postmasters in payment for second-class mail. The amount of cash turned in by the various postmasters may or may not bear any relation to the actual amount of such mail received at their respective offices. It is impossible to detect dis-



honest returns except in some of the most aggravated cases. The average mercantile house which should practice such methods would be forced out of business in less than six months.

The slowness of the Postal Department to adopt modern business methods is strikingly illustrated by the fact that till quite recently the only method of checking the money-order accounts of postmasters was by a hasty examination of the stubs of order books turned in. No account was made or reference taken to the actual receipted orders. Imagine a bank attempting to settle accounts with its customers by the examination of the stubs of their check-books, rather than by reference to the actual checks!

We are driven to the conclusion, therefore, that the Postal Department as now organized and operated would be utterly unable to compete with express companies upon purely a business basis.

Take, for instance, the money-order business. The post-office and the express companies compete with each other at practically the same scale of charges. The express companies make a profit while the Postal Department, according to the statement of its former auditor, loses not less than \$2,000,000 per year on the same class of business.

Take also the case of second-class mail, upon every pound of which the government loses an average of 6 cents, or 600 per cent. The express companies find it possible to handle this matter upon which the department loses so heavily at a profit, and today more than 75 per cent. of the magazines and periodicals printed in the city of New York are carried out of the city by private express companies at rates ranging from 50 to 75 per cent. of the postal charges of 1 cent per pound.

A short time ago the Postal Department advertised for bids on a contract for printing stamps. The bid of the Bureau of Printing and Engraving, which is organized along the same lines as the Postal Department, and admittedly transacts practically all of its contract business at an actual loss, was still \$110,498.98 higher than that of the American Bank Note Company, a private organization conducted for profit. Conceive then

the blundering extravagance of the Postal Department, where, for reasons not at all apparent, the higher bid was accepted!

Furthermore, the Postal Department as it is now organized is altogether unfitted for handling large quantities of packages. Even under present conditions the many packages sent through the mail tend to congest the movement in the large cities and greatly to retard deliveries. If the government is to absorb the express business it will also have to absorb the express equipment. The cars now used in railway transportation of mails, and the urban collecting and delivery systems are wholly inadequate for handling this class of business. The absorption of any considerable proportion of the express business would therefore mean an enormous investment of capital which would pay dividends to nobody, but upon which the tax-payers would be required to pay both interest and principal.

Furthermore, it should not be expected that the express companies would quietly drop out of business. They would make a tremendous fight for existence, and would at all events retain such portions of the business as they are now doing at less than the lowest postal rates. The equipment for the express service would, therefore, have to be duplicated in every town and village of the United States. It is folly to presume that the public would not in the end be required to pay for the enormous loss which would be involved in such an uneconomical procedure.

Would it not, therefore, be better to place the proper safeguards around the existing organizations which are fitted to perform the transportation service by the best and most economical means, rather than that the government should undertake the impossible, i. e., competition with private companies upon a purely business basis?

It is pertinent to note the following indictment of the United States Postal Department embodied in several successive reports of the House Committee:

There is not a sane business man in the country who has given the matter any thought, but knows that the Post-Office Department could be operated by private individuals on our present appropriation and show a net profit of thirty or forty million per year.

The writer is witness to a public statement of President Ripley of the Santa Fé to the effect that he was ready to stand sponsor for a company which would contract to perform all the postal business of the United States at the present rates with equal promptness and efficiency, and to pay to the government for the privilege a sum of \$50,000,000 annually.

To sum up: It has been contended that the government should not undertake to establish a parcels-post with a view to distributing the wares and merchandise of a certain class of manufacturers and jobbers who in the nature of things could not use facilities of this character, but are required to use the slower and less expensive freight service. Such action, as we have shown, would lead to undesirable results in the concentration and congestion of business near the main points of supply. Furthermore, evidence has been introduced to show beyond all reasonable doubt that the government could not compete with the express companies upon a business basis, and that it would be better to regulate rather than to destroy the most efficient means which we now have for handling this class of business.<sup>2</sup>

The character of most of the bills introduced during our last Congress was such that their enactment into law would certainly have meant that the postal deficit would be immediately swelled to

<sup>2</sup> The more expeditious service of the Postal Department has frequently been asserted as evidence of superior efficiency over the express companies. It must be remembered, however, that no similarity whatever exists between the respective services.

Every express package must be separately billed, booked, and handled with care. Every person through whose hands the package passes is separately responsible, and the records must be such as to enable the company to place such responsibility. Thus the shipper may be guaranteed in full against loss. The Postal Department, on the other hand, handles packages *en masse*. In heavy pouches mail may be loaded high on trucks, and thrown off swiftly moving trains. No record whatever is made of the individual packages, nor is any responsibility assumed without registration.

On sealed first-class matter charged at the rate of 32 cents per pound, for an extra registration fee of 8 cents, the government assumes a limited responsibility up to \$25.00. Record must be made of such parcels. Anyone who has had any experience in sending registered parcels, with which parcels sent by express may be compared, knows that the advantage of expedition, if any, lies with the express package.

enormous proportions. Former auditor Mr. H. A. Castle estimated that the annual deficit could not be less than \$100,000,000 if any of the more radical bills were passed, reducing postal rates on parcels to practically  $2\frac{1}{2}$  cents per pound. Every pound handled would then mean a direct loss to the government ranging from 4 to 10 cents. Similar bills will in all probability be presented during coming sessions of Congress as contrasted with the policy proposed by Postmaster-General Meyer, of increasing the weight limit of parcels from 4 to 11 pounds, and of the reduction of the rate from 16 to 12 cents per pound.<sup>3</sup>

It would seem that there is some justice in the contention of Postmaster-General Meyer to the effect that the domestic service should at least be as cheap as our service to foreign countries, and the nominal reduction of 25 per cent. which he proposes would certainly not be disastrous to all local interests.<sup>4</sup> It is greatly to be feared, however, that this is a step in the wrong direction, and will lead to more radical reductions in the future.

<sup>3</sup> It has been contended that inasmuch as the average cost to the government of handling mailable matter is somewhat less than the present charge upon parcels, a considerable reduction might be effected without involving a direct loss. This, however, does not necessarily follow. Owing to the system of flat rates which now prevails, any reduction would increase the proportion of packages to be sent long distances, which of themselves are unprofitable and entail an expense to the government much greater than the average cost of handling all mailable matter, while the express companies would still retain the short-distance parcel traffic, as at present. The only alternative would be the establishment of a zone system of postal rates, a proposition which for this country presents many and serious objections.

<sup>4</sup> In order to offset the advantage which will accrue to the mail-order houses through a general reduction of rates on parcels, Postmaster-General Meyer has proposed to establish a local parcels-post, to apply to all matter originating at the local office or along the routes of the local rural carriers. He would reduce the rates on packages of this character to 25 cents per parcel of 11 lbs. This he believes will enable the local dealer to supply his customers by mail at a smaller cost, thus giving him an advantage over mail-order houses which will be required to pay the higher general rates. It is to be doubted, however, whether this will accomplish the end desired. The local dealer's most important advantage lies in the display of the actual goods offered. He would be utterly unable to compete with the mail-order houses by employing their own methods, for in the nature of things he can offer neither the variety of goods nor the attractive advertising.

ALBERT N. MERRITT